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Shanghai's Youth Market: Changing Perceptions in Food Consumption

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Approved by:

Wayne Batwin
U.S Consulate

Prepared by:

Abraham M. Zamcheck

Report Highlights:

This report describes important developments in the consumption behavior of young adults in Shanghai ages 18-34. It includes analysis of changing tastes, dining and shopping behavior, and values which food marketers have found useful in appealing to this segment of the population. This age group represents the fastest growing income group in China, and has a high preference for new products and tastes. These factors make them an invaluable demographic for US exporters.

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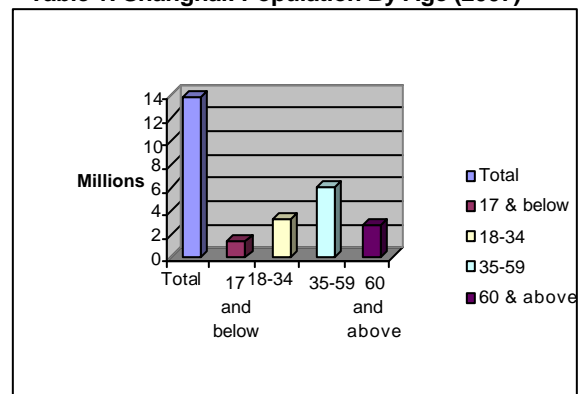
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Introduction

This report describes food consumption and spending trends among 18-34 year olds in Shanghai. This generation of young adults in China grew up after China's Cultural Revolution ended in 1976 during a period of political and economic reforms. Members of this group were born during a period of rapid commercial growth and changing diets. As a consequence, they are used to frequently experimenting with new tastes and behaviors. Convenient consumption is essential to their lifestyle, and markets and restaurants have emerged in Shanghai largely to cater to those needs.

Table 1: Shanghai: Population By Age (2007)



Compared to their peers in other Chinese cities, young people in Shanghai are more likely to purchase high-quality food products, such as fresh milk and organic produce. Furthermore, many Shanghai young people yearn to develop “sophisticated” and unique identities. Choices regarding dining and food products are an important part of this process. Many of them have flocked to high-tech shopping sources in recent years, using the internet to buy everything from pizza to produce. Many in this age group frequent online forums to find and share information, and feedback about new products or dining venues. In contrast, the maxim about young people and food before the 1980's was that they ate simply what was put in front of them.

Source: *Shanghai Statistical Yearbook*

The population in Shanghai of 18-34 year olds is 3.34 million or 24% of the city's population overall. This generation is referred to throughout China as the post-1980 generation or the 80ers. This report will first provide an overview of important trends and values exhibited by the group overall, and then take a more detailed look by dividing the group into three subsets—students, high-earning graduates, and young couples. Analysis of tastes, consumption behavior, and examples of successful marketing strategies will follow.

Overarching Values and Priorities

Brought up during a period of fast economic growth and a newly commercialized culture, Shanghai youth often place a high importance on finding unique products to express themselves. Buoyed by rising incomes, as this generation grew up it became used to rapidly changing eating patterns. Parents hoped these children would reap the rewards of China's expanding economy and changing society, and in turn to support them in old age. As a result they often doted upon their mostly single-children with presents and treats.

Spending shifts overall reflect an emphasis on the younger generation. Since the 1980's, aided by international fast-food franchises, this population has been encouraged to make independent decisions about food from an ever younger age. This group has also grown increasingly reliant on dining and eating out, and convenience is an important priority for the population's fast-paced lifestyles. This, as well as the importance the group places on trying original products, distinguishes it from China's older generations.

A Priority for Unique Tastes

Sinomonitor, a Chinese national consulting firm with a focus on market trends among China's younger generation, states that:

"This group has a strong preference for new, exciting, and challenging lifestyles. As a result, giving them a challenge is a must. If your product is different from the rest, then it will earn the 80ers' favor because they all aspire to develop distinct personalities. While the wallets of the 80ers are not so deep, their consumer concepts are avant-garde, so their consumption power cannot be overlooked."

Food products are often marketed to this group by highlighting the values mentioned above. Themed restaurants, new products, flavors, and innovative food products are often supported entirely by this generation.

In Shanghai's competitive food market, standing out from the rest is a challenge. The population's appetite for new foods and drinks is well supplied by a flooded market. According to one industry expert, Shanghai has approximately 40% more categories of consumer and food goods than developed European markets, ranging from snack foods, cosmetics, tooth paste, to chocolate chips. As a result, one local observer describes consumption trends in the city as particularly fluid, saying "youngsters are a challenge—a quickly moving target."



An advertisement for Sprite in Shanghai follows an established formula. Consumption, image, and a need for self-assurance are proven selling points for this generation.

Localized Tastes and Brands

Correspondingly, the wealth of options and competition in the city has resulted in food and behaviors which are highly adapted to market needs. Fast-food, a category once the exclusive realm of hamburgers and fried chicken, has become highly localized. Western fast food is still very popular among the post-1980 generation. During a three month period in 2008, 56.5% of 18-34 years olds in Shanghai visited a Kentucky Fried Chicken franchise. But during the same period, an even higher percentage, 65.3%, visited the Chinese breakfast fast food chain, Yon Ho Soymilk. Yon Ho only opened its first franchise in China in 1999, and is now one of a growing number of Chinese and Asian based fast food chains in the city. In the meantime, fast food chains which promote themselves as healthy and affordable—such as Saizeriya, a Japanese owned chain which specializes in Italian themed food—are popular destinations for this age group.

Sophisticated Diners

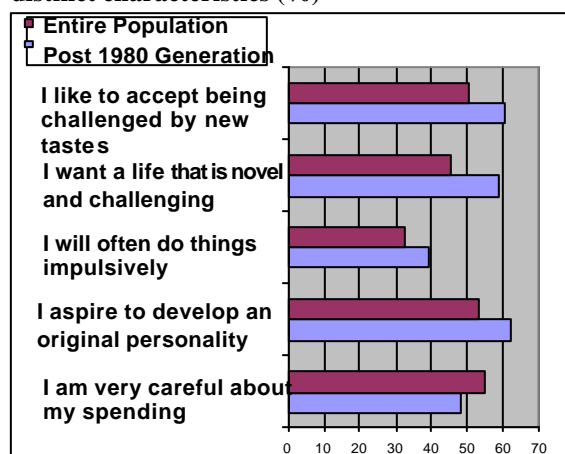
The influence of this population has added to the diversity of Shanghai's upscale restaurants. One marketing expert described this group as notable for its broad taste palette, with many in the age group familiar with high quality western food. When it comes to Chinese food, they have moved beyond traditional banquet meals. "These guys cannot be impressed by shark fins," he said, "they've been there already." Shanghai young people have more experience with gourmet food in general, whether Chinese or Western, and are familiar with many categories of food that the older generation is likely to shy away from.

Convenience

Accompanying these developments have not only been changes in what food is being consumed in Shanghai, but how and where dining is commonly occurring. A preference for convenient products remains a constant for the generation, even among those with large disposable incomes and an eye for high-quality products. A trend towards relying on eating out often starts early though, when this age group is still in school, despite their having relatively low disposable incomes.

Population Breakdown

Table 2: The post 1980 generation's distinct characteristics (%)



Source: *Shanghai Statistical Yearbook*

particularly on meals and drinks purchased for the purpose of meeting classmates and friends.² The increased number in Shanghai schools though has resulted in more competition for employment, and many products targeted at this group (and slightly elder peers) advertise beverages and snacks as ways to provide relief from high levels of pressure and expectations. Key trends demonstrated by the group include:

- Soft drinks and fast-food—including Chinese style cuisine from restaurants—are key purchases, as are RTE (ready-to-eat) products bought at convenient stores and dessert stands.
- This population is primarily concerned about affordability.
- It also is highly adventurous and eager to experiment with new tastes and trends.

High Earning Graduates

Today's 20-29 year-olds in Shanghai have the highest income on average in China.³ As this population has come of age, it has expanded its preferences from fast-food dining to a wide range of high-end dining and food ingredients.

¹ Shanghai Statistical Survey

² Sixiang Lilun Jiaoyu, 2007 11

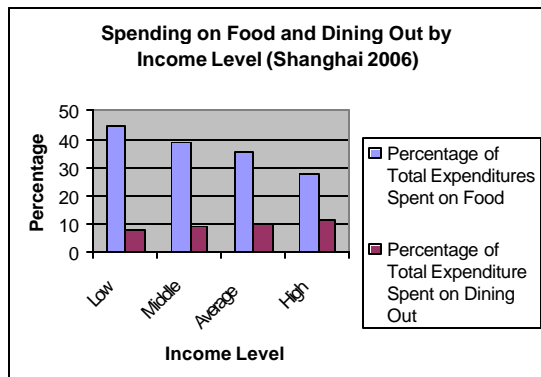
³ Sinomonitor

Students: Convenience at a Low Cost

Government policy has multiplied the number of students enrolled in the country's top universities and other institutions. In 2007, 485,000 students were enrolled in Shanghai, and four times the amount in 1990 when 121,000 students were enrolled.¹ Shanghai hosts many of the top educational institutions in the county, which provides access to highly lucrative jobs as well as opportunities abroad. This often results in highly globalized tastes. Despite low disposable incomes, food figures highly in students' overall spending. One survey of students from major Shanghai universities estimated average monthly spending among students to be 500 RMB, which aside from being spent on dates was mostly used on food,

While spending on food has decreased as a percentage of overall spending among Shanghai residents, (an expected result of rising incomes) spending on dining has increased, and many in the catering industry attribute this trend to growing business from young white-collar workers in their 20's. The frequency this group eats out is also increasing. A survey

Table 3: Expenditures on Eating Out



Source: *Shanghai Statistical Yearbook*

conducted by Sinomonitor revealed that the number of 18-24 year olds in Shanghai who dined out more than five times a week for dinner jumped to 11.8% in 2007, the highest percentage among any age group, (in total 4.4% of Shanghai residents reported eating out for dinner more than five times a week) up from 9.1% in 2006 and 7.4% in 2005.

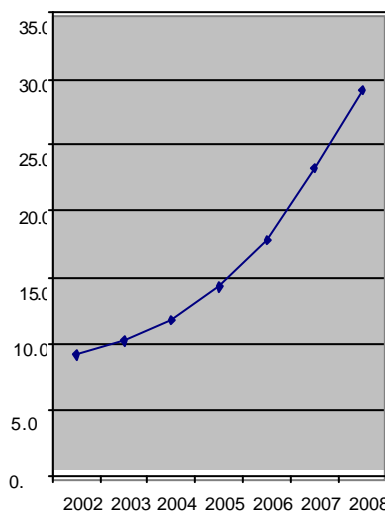
Overall this group is likely to rent apartments, with less than 30% living with their parents, and almost 50% renting in 2006.⁴ Those at the higher end of the income bracket (6,000 RMB per month and above) are increasingly renting private rooms or apartments. For them, cooking at home is especially inefficient, and their relatively large disposable incomes allow them to make dining out a significant part of their lifestyles. Some of the major characteristics of this group include:

- Not yet settled down with families of their own, visiting restaurants play an important part in social lives, including dating.
- Compared with students, this group has enough disposable income to buy a wide range of high-quality products.
- But with demanding work schedules, many are equally likely to look for convenient and affordable food and dining options. Catching the attention of this subset is a challenge.
- Mid-to-upper level chain restaurants in the city's fashionable shopping areas are especially popular for them, as are coffee shops with comfortable and stylish interiors.

Young Married Couples

A distinguishing characteristic about families in Shanghai is the small size of average households. This is as much a result of the city's economic realities as it is the result of China's population control policies. In much of China, parents are expected to be responsible for purchasing the first house for their children when they set up a new family. At the same time, real estate in Shanghai is among the most expensive in the country. Partly as a result, Chinese couples in Shanghai often delay the birth of their child or forgo children altogether. Natural population growth in Shanghai was -3.24% in 2003 versus 9.31% in the more traditional city of Wenzhou (since then, population control policies have loosened in the city, and in 2007 the natural

Table 4: Sales of Baby Food in China (Billions of RMB)



Source: *Euromonitor*

⁴ Soufun Ltd.

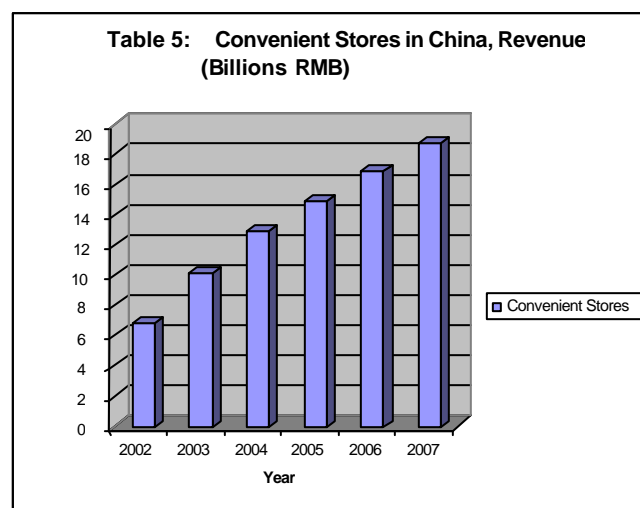
growth rate in Shanghai was -.10%).⁵ With rarely more than one young mouth to feed, parents tend to invest in high-quality food for their children. Almost half of snack spending purchases in Shanghai were made by households with children under the age of 12.⁶ Couples without children are even more likely to indulge in expensive food products and dining options. Defining features of Shanghai's young couples include:

- Heavy Consumption of high-quality food products.
- Food sold for organic or nutritional properties is often used by the group to remedy demanding work schedules.
- For those with children, spending on food considered beneficial to a pregnant women's health as well as baby food for infants have risen sharply in recent years.
- Families with young children are among the city's top consumers of snacks and other packaged foods.

Changes in Consumption Behavior

Staying Away from the Kitchen

Reflecting a trend that emerged in the United States during the past several decades, in recent years consumption in China has shifted away from dining at home. On average, the amount of time Shanghai households spent over home-prepared meals decreased to 69 minutes a day, half the time of just one decade ago.⁷ Meanwhile, statistics show a boom in spending throughout much of the food service industry.



A common feature among many emerging food retail venues is convenience. Many older generation Chinese go to vegetable and meat markets, sometimes before every meal, to purchase fresh meat and vegetables. Even if they own refrigerators, they often remain unused. But younger consumers prefer to eat out, and are doing so increasingly frequently. They often snack, and eat on-the-go. This results in Shanghai hosting the greatest density of convenience stores in the world. In 2005, the city supported one 24 hour convenience store for every 2,600 residents, in comparison to one per 3,045 people in Japan and one per 2,940 people in the US.⁸

Source: *Euromonitor*

⁵ Shanghai Statistical Yearbook

⁶ Sixiang Lilun Jiaoyu, 2007 11

⁷ Shanghai Jingji 2000, No.3

⁸ Sinomonitor 2008

Convenience

Venues that appeal to younger crowds are a world away from the wet-markets which still dot all but the most affluent of Shanghai's residential neighborhoods. Many modern convenience stores such as Lawsons feature well-lit, sterile interiors, offering a bright contrast to more traditional markets. Unlike vegetable and meat markets which operate during the daytime, such establishments are often open all night, and accommodate the lifestyle and work-schedules of this population, which often do not fit within normal business-hours.

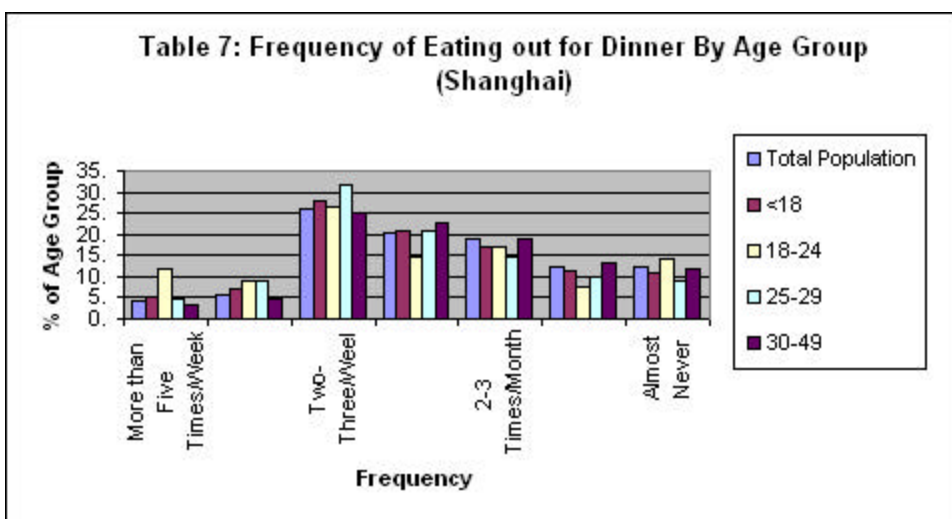
A departure from traditional consumption rituals extends to holidays. This year, many newspapers in Shanghai reported that families are increasingly dining out to celebrate the Chinese New Year. Such a thing was once unthinkable, perhaps the equivalent of spending Christmas Eve at a diner, but now has become more popular in order to avoid the trouble of preparing elaborate banquets from scratch.

For similar reasons, ready-to-eat prepackaged foods and beverages are extremely popular among Shanghai youth. Hot tea is also losing its appeal among younger consumers. According to Euromonitor, all advertising and packaging for RTD (ready-to-drink) teas in China is directed at 20-30 year olds, and those above 40 rarely drink the product, brewing traditional hot tea instead. In 2006, RTD tea surpassed carbonated beverages in Shanghai as the most commonly sold beverage category in Shanghai supermarkets and convenient stores, and the numbers sold have correspondingly risen rapidly over the past several years.

Table 6: Percentage breakdown of total retail beverages by category, sold in Shanghai in 2006.

Beverage Type	%
Tea Drinks	22.2
Sodas	21.5
Dairy Products	18.1
Fruit and Vegetable Drinks	15.6
Bottled Water	9.9
Functional Drinks	4.7
Solid Coffee Products	4
Coffee Drinks	2.1
Solid Beverage Products	1.9

Source: *Shanghai Commercial Association*



Source: *Sinomonitor*

these beverages to successful marketing of their health and nutritional qualities, as well as dietary functions.

Most of the leading brands in this group come from producers who are located not in the mainland, but in other regions in Asia. Unif and Master Kong, the respective number one and two market leaders in Shanghai are both based in Taiwan. Next in ranking are Japan's Kirin and Suntory labels. Marketing experts attribute the success of

Such categories are often perceived differently in China than in the west, and China's neighbors have in the past showed more success in marketing such attributes to China's home market. In addition, Shanghai residents look to a particularly high quality brand of product compared to the rest of the country, resulting in limited success among average domestic producers and products, such as Wahaha's dairy products, in the city's retail markets. "Paradoxically, while Shanghai is the leading market in the country, the city is not indicative of what will happen in the future of the rest of the country, but is instead looking to places like Korea, Taiwan and Japan," says P.T. Black of Jigsaw Marketing, a Shanghai based international marketing firm. By focusing on the needs and values of these consumers and emphasizing the high-quality of U.S. food products, importers face a greater likelihood of success.

In most areas, this young population is at the forefront of dining trends, pushing the envelope for convenient and high quality food. At the same time, a similar percentage of 18-34 year olds as older residents claim to pay close attention to what they eat (44.6% vs. 48.8%) and many embrace conservative cooking habits as well—a significant number of the group reports that it "loves to cook" (25.8% of 18-34 year olds as opposed to 31.7% of total residents), reflecting the rich diversity of cooking trends that exist in Shanghai.⁹



A retailer of Tupperware in Wenzhou, China showcases a series of instructional advertisements in the store, showcasing how convenient the product is for busy families.

It is not just college age students who seek convenience in the kitchen. Parents of young children frequently search for easily prepared, yet high quality products for their families. These often take the form of snacks and other recreational foods. A survey of Beijing and Shanghai families found that 41% of respondents who described themselves as frequent consumers of snacks belonged to families with children age 12 years and below. When buying such products, little attention in general was paid to price compared to taste and brand, with 58.4% of heavy consumers of snack foods saying they were especially interested in new brands and tastes.¹⁰ Concerning nutritional considerations, the highest percentage of this group reported favoring natural and "green" products as well as those rich in vitamins and other supplements.

Ordering By Phone

Many young Shanghai residents are increasingly inclined to order in. In 2008, 10.5% of Shanghai residents 18-34 years old reported that they regularly ordered take-out from fast food restaurants by phone, compared to 6.1% of the entire population sampled.¹¹ Although eating fast food in China is often centered around enjoying the modern clean settings that many establishments provide, such data suggests that a culture of convenience is trumping such concerns among Shanghai's younger generation.

⁹ Sinomonitor

¹⁰ Sixiang Lilun Jiaoyu, 2007

¹¹ Sinomonitor

Growth in Chinese Options

While western themed chains such as Kentucky Fried Chicken and McDonalds were largely responsible for the growth in the fast food sector in China in the 1980's and 1990's, the highest growth in fast food dining in the past few years has come from fast food chains which feature Chinese cuisine. Data shows that interest in novel foreign foods in Shanghai may have passed its peak, with 30% of Shanghai 18-34 year olds in 2008 reporting they like to try foreign food products compared to 40.5% in 2006.

In terms of fast food, there has been a fusion of western and Chinese categories, with chains like KFC preparing traditional Chinese breakfast foods, and the all-time popular Yon Ho Soymilk and its nearly identical competitor Yong He Restaurant entirely specializing in Chinese breakfast foods such as soy milk and fried glutton sticks (*youtiao*).

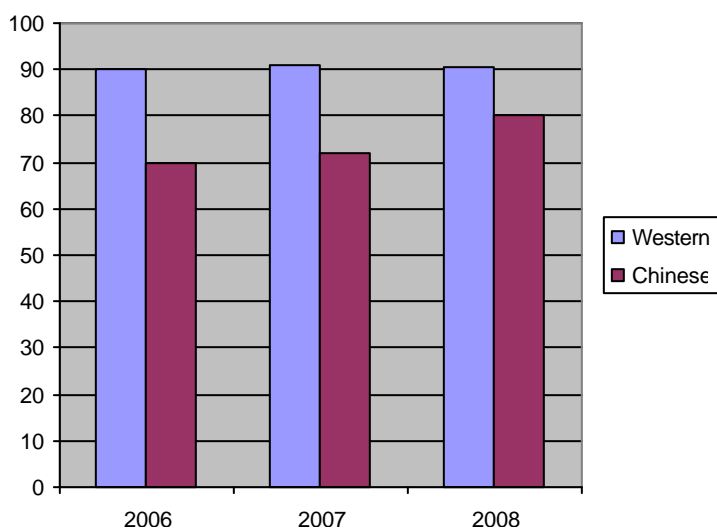
Most of these chains feature a common promotional theme—using high tech, and modern ingredients and practices to create the best of Chinese food. Although the items offered at such venues are several times more expensive than at more traditional street side

stands or bakeries (Yon He's *youtiao* for instance costing at least 6 times the amount of the common rate in Shanghai) their reputation for having clean locations with comfortable seating have secured the chains a large customer base. In addition, their long operating hours, often open 24 hours a day, have transformed fried glutton sticks and soy milk from what among most of the population is thought of mostly as a breakfast food, into something that young students and workers are now eating at all hours of the day. This change is part of a larger trend in dining among this demographic—placing a greater emphasis on convenience and innovation rather than merely following traditional consumption patterns.



The comfortable interior of this 24-hour Yon Ho Soymilk restaurant makes the chain a popular alternative to purchasing similar items from street-side stands.

Table 8: % of 18-34 year olds who frequent Chinese vs. Western fast food chains in Shanghai



Source: Sinomonitor

Organic and Health Conscious Consumption

The market for domestic and imported organic products in Shanghai is growing. Some city people lease livestock directly from farmers in the countryside, and often issue orders about feeding and grooming on a weekly basis. Consumers are willing to pay expensive premiums for this type of service. Often markets for high quality produce are high-tech as well. For instance, the company Shanghai Organic offers free deliveries to customers when they order more than 100

RMB yuan of groceries from their website. Urban residents have looked to organic products as a way to limit their intake of pollutants often associated with city life. Coupled with a high level of consumer income, this has resulted in Shanghai being the largest organic produce market in China.¹² According to a survey taken last year by Shanghai's Ministry of Commerce, 60 percent of the city's residents are willing to pay more for certified green or organic products than ordinary produce.

In Shanghai, it has also become increasingly common for shoppers to buy low calorie products. In 2008, 42.5% of 18-34 year olds in Shanghai said they routinely shop for food products with low calorie counts.¹³ Low fat content is not as much a factor for shoppers in the city as high calorie or sugar content—which health and weight conscious diners in the city try to avoid.

Social Networking

In China, the notion of face—a sense of social worth largely accrued through public displays of generosity or consumption – often comes to play regarding consumerism and food. This is nothing new. In 1930's Shanghai, the famed essayist Su Qing wrote of her embarrassment in having to buy food herself because she could no longer afford a maid. To avoid shame, she darts for a high-class bakery run by a Russian woman. In a recent article, Shanghai woman says her friends drink Chivas whiskey and other brands, so as not to “look cheap” in public.¹⁴ Alternatively, when young people eat out the location and decor of restaurants is often a primary consideration.

Young couples routinely save weeks of wages or their allowance so they can have a date at one of Shanghai's Haagen Dazs ice cream stores. Holidays such as Christmas and New Years (as well as Valentine's Day) have been expropriated as romantic holidays for dating couples, during which sweets and other gifts are exchanged. This dating culture has created a new scope of food-based rituals essential for maintaining social status.

An essential venue for fashionable Shanghai's high-income college students and graduates is a form of local cafe or coffee shop. These establishments are often a dressed-up version of their western counterparts. Tailor made for an upper-class clientele, they feature elaborate dessert menus and meals from both Western and Chinese cuisines. “High grade” imported U.S. meat, as well as peanut shaved ice desserts are found on the same menu in a branch of a U.B.C coffee house in Shanghai (shown at right). The franchise came to the mainland from Taiwan in 1997, and often features interiors with elaboratel cushioned seats and sophisticated decors.



Large, comfortable seating arrangements draw Shanghai youth to the city's many coffee shops.

Tastes and Preferences

An emphasis on innovation does not mean however that this demographic has left Chinese cuisine behind. To the contrary, despite the large amount of foreign tastes present in the Shanghai market, the city is essentially a crossroads of national and international cuisines.

¹² Wang Ming, sales director of the Shanghai Xia Xi Yang Organic Farm in Jiading, cited in the Shanghai Star Business Journal, 9 June 2008.

¹³ Sinomonitor 2008

¹⁴ Adweek, 1 January 2001

Ingredients and flavors are often used and perceived far differently in Shanghai than in the west, something China's regional neighbors have more easily adapted to. "When we talk about young people, their tastes are increasing quickly," said J.T. Black. "Their tastes are broadened by an understanding of Chinese regional cuisine, and an appreciation of regional Korean foods and Japanese snacks. Overall food traditions are very strong in China and flavor palettes and tastes are something that Western companies have trouble understanding, while strong brands are coming from Hong Kong and Taiwan. Overall, it's very difficult for western brands to adjust." In order to be successful in the market, exporters should study the broad array of local and regional cuisines that already exist in Shanghai.

Competing regional tastes (such as a fondness for noodles in the north versus rice in the south, and variation in the flavors of local cuisines) can often converge among a group of friends in this highly diverse city. According to one 25 year old working in the city, his friends can rarely decide where to eat because of their diverse geographical origins. In such situations he says restaurants serving western cuisine can be an alternative that all parties can agree on.

Food Consumption according to Gender

Tastes diverge according to gender as well, and a whole set of food products exist largely catering to young Chinese females. Women play an especially prominent role in terms of food consumption in the country and such gender specific food products should not be ignored by potential importers. According to Anding, a Chinese analysis group, throughout China 60-70% of consuming power is held by females, and 78% of daily purchases in households are determined by females. A few of the products Shanghai's young women often look for in food include:

- Functional foods which are said to supplement good skin through cleansing and detoxification (including higher end yogurts and even red wines)
- Products which claim to regulate digestion
- Foods with properties thought to improve overall appearance
- Boutique bakery items



Guiling Gao, a bitter herb jelly served as a dessert at many trendy restaurants in Shanghai is thought to be especially beneficial to women, having a regulating and cleansing effect on the body.

For Shanghai's young women, food is not only important in their social lives but also in creating balanced and nutritious diets. Industry experts state that this population is especially likely to buy food which is marketed as healthy and high in nutrition. Xiong Xingli, a recent graduate of Shanghai's Fudan University, is a case in point. Nutritional qualities are the first thing she looks for when purchasing food. Living with her parents, she eats most of her meals at home, and often cooks simple dishes such as eggplant. Her favorite food though is sesame paste, an oatmeal-like dish often eaten with honey, thought to be particularly rich in nutrients and useful in enriching the blood.

Such attention to nutrition is not uncommon among young females in Shanghai. In addition to dishes which regulate digestion, there are categories of food particularly sought by female

consumers which have no real equivalent in the west. Among these are foods thought to improve complexion and overall appearance, and regulate hormonal cycles. These properties are related to a longstanding belief in China that certain foods have various levels of warmth and coolness, (which could be understood as female and male, or *yin* and *yang* properties).

Differences in male and female food preferences in Shanghai however fall into categories very familiar to distinctions made in the U.S. Marketing experts say for example that when it comes to food, young males in Shanghai can be enticed by something as simple as a large portion. Rather than an obstacle to importing U.S. products, experts say that a small amount of research can go a long way towards improving an understanding of how food is viewed in China. In terms of the general market, importers should be willing to adjust Western ingredients to Chinese preferences. Understanding the way simple products are used differently in the country—for example that pumpkin is a common dessert flavor, or that red wines in China are thought to be good for the skin—can provide valuable insight to U.S. exporters, and provide the basis for innovative products and marketing strategies.



Pumpkin Cakes are a popular dessert food in Shanghai restaurants and bakeries.

Marketing Trends

Digital Advertising

One of the most significant differences between the lifestyles of the young and old in Shanghai is the degree to which modern technology is integrated into their social lives and consumption behavior. In order for importers to carry out successful marketing and



This restaurant uses both innovative menu options and online-based discounts to vie for people's attention. Owner Alex Gu says that gimmicks such as the shrimp cigars, and affordable prices are part of his strategy for catering to the youth demographic.

distributional strategies, they should be aware that Shanghai young people are at the forefront of global media trends. These include the heavy use of the internet as well as cell phones to find product information and even discounts and coupons. Euromonitor reports that strategies that integrate various forms of high-tech media (including internet, mobile televisions, and cell phones) have been far more successful in China than other marketing strategies.

The 2007 Fast Moving Consumer Goods Report (FMCG) published by the Shanghai Commercial Association cited the importance of posting advertising around internet cafe refreshment stands in sparking new consumer trends. For the past several years the Coca-Cola Company and Pepsi have struggled to dominate refreshment sales in Shanghai's internet cafes. Online behavior among this demographic heavily influences their consumption behavior in general. A few unique aspects of China's internet users include:

- Internet users in China tend to be young, employed and educated. They are on average 10 years younger than their American counterparts, better educated (67

percent have a college degree compared to 40 percent in the U.S.) and are more likely to be employed, (80 percent compared to 61 percent in the U.S.).

- Young people are especially likely to use the internet to make purchasing decisions. Chinese youth spend about 30 minutes more on online research per session than Americans, and also use search engines (48% compared to 27% in the U.S.) and comparison shopping sites (27% compared to 11%) more often than Americans as well.
- Many integrate other technologies into their lives and consumption patterns, including cell phones, which through text messaging can be used to access discounts. One third of Chinese internet users surveyed reported using mobile devices to go online, compared to one fifth in the states.
- While internet food retailing is a relatively small market in China, (amounting to roughly \$21.9 million in sales in 2007, compared to \$2.4 billion in the United States in 2007) a large portion of these sales belong to products which are advertised as organic, healthy, or imported.¹⁵
- Internet sites provide great opportunities for niche US exported food products to reach Shanghai consumers, and to promote product attributes.

Networks that provide digital coupons and forums for feedback on restaurant experiences are very popular, especially in Shanghai. Young shoppers often skip shopping altogether and have provided a new market for internet shopping and restaurants that rely entirely on home-delivery. Restaurant review sites such as dianping.com have also become popular among young diners. Alex Gu, the owner of a new restaurant Fan Nabing specializing in affordable Mediterranean food, estimated that over 30% of his business comes from young customers who discover the restaurant through the online site dianping.com. Visitors to the site can print out a coupon which can be used for a free dish of peppered shrimp, as well as a half-price combo-meal.

Marketing Strategies: Country Confidence and Pride



¹⁵ Euromonitor

The trail blazoned by the Coca-Cola Company, whose main beverage product is often directed at young consumers, provides an example of successful marketing to this demographic. In its advertising, the company often engages local tastes and preferences on multiple levels, including flavors, politics and popular culture. Long ago the company promoted the notion that soda could accompany more than just traditional western fast food, and the beverage has become a standard refreshment at celebratory banquets and meals across the country. Successful and extensive marketing was and continues to be instrumental to this process. Coke has often included Chinese cuisine in its advertisements, as well as themes which promote and empower Chinese national identity, a factor ranked high in importance by a large number of young in Shanghai. Coke sells an empowering message to youngsters with a heavy political and cultural subtext. One restaurant in Shanghai features advertisements of the drink with the company slogan *"for satisfaction look to yourself,"* next to photos of regional Chinese dishes, suggesting a range of flavor and ingredient combinations (sweet and salty, sweet and spicy, soda and soup etc.) that may be highly unfamiliar to consumers of the product in the west but which can make mouths water in China.



An online advertisement for the e-market and entertainment website netease.com uses cultural revolutionary imagery to appeal to China's young generation in an Olympic year. The image reads "Let's Come Together" and on the sides: "Go China."

Coca-Cola frequently features Chinese national and cultural imagery in its advertisements, a technique which is particularly well suited to segments of China's 18-34 year olds, many of whom are deeply proud of their country's recent economic ascent and growing international prestige. The beverage company featured the Olympic stadium and Chinese athletes on many of its products during the past year. Such reactions among food and beverage companies to the Olympic Games were not uncommon. Dick van Motman, the chief executive of the Chinese division of the advertising agency DDB Worldwide, said for global brands to succeed in China it can entail "reinforcing your image; aligning yourself with the China dream; and aligning yourself with China entering the world stage. That's the real game."¹⁶

Similar to Coca-Cola, but with decidedly less of a national theme, Kraft focused marketing of its soda around the theme of personal empowerment. "We have looked at the difficulty this group faces in learning the difference in social expectations when they are no longer in school," said Patrick Xu, sales director of Kraft China. "For this group, interpersonal relationships are a problem, and a lot of them have problems adjusting to changed expectations and social encounters, especially in the work place. One of the linkages that has an echo among the young is to be decisive in work—and part of that is drinking soda," said Xu, who says the company makes use of one of the characters for soda (suan) which can roughly be translated as "crispy." "Our ads have the message that 'You want to be crispy.'"

At the same time, these sentiments are simply only a few of the many powerful trends gripping young consumers in Shanghai. And when it comes to eating, many place top priority on doing just that, with as little unnecessary effort as possible.

¹⁶ *The New York Times*, 8 June 2008.

Conclusions and Lessons for American Exporters

Shanghai youth were born spoken to in the language of marketers and advertisers, and they respond in kind. They easily identify with brands, and often buy products without previous introductions from friends and relatives. The older generation however often will wait to see such products first. Data shows that young people are more likely to consult a wide range of information sources when purchasing food, including online and mass media sources.

Despite a strong yearning to attain an individual image, members of the group often rally around Chinese national causes. Rather than representing opposite values, for most young Chinese, national sentiments and consumerism go hand-in-hand. Goods, domestic or imported, that have been able to channel this sentiment (such as green-tea flavored Crest toothpaste, Coca-Cola, etc.) have achieved enormous success. Similarly, foods which claim to have medicinal or beautifying properties—derived from Chinese medicine—are purchased by the trendiest of Shanghai's young consumers.

The influence of China's Asian-Pacific neighbors in Shanghai is broad, and includes everything from popular high-end bakeries to lower end street foods, such as sushi stands from Japan and an explosion of milk tea from Taiwan. Such trends are largely driven by Shanghai's uniquely high purchasing power, and a corresponding demand for highly-nutritional and top quality products.

Small full-service restaurants, offering similar food to home-cooked dishes at competitive prices, are frequently patronized by young consumers with busy lifestyles. Fast food, either western or Asian, as well as home delivery, are also popular choices among such consumers. Coffee shops have grown rapidly as rising disposable incomes have resulted in a desire to indulge in habits and fashions suggestive of increasingly sophisticated and cultivated tastes.

This population exhibits many contradictions because of its size and diversity. Some Shanghai youth seek only the highest quality ingredients and healthy foods. Others look for convenience. Others regard taste first and foremost. As a result there are many potential ways to garner the attention of this group, but importers must grapple with difficult decisions along the way. Possible avenues to approach the market include:

- Snacks and RTD products directed at students and high-earning graduates should take cues from China's Asian neighbors, especially Korean, Japan, Taiwan, Thailand, and Singapore, whose high-quality products as well as youth culture are popular in Shanghai.
- The popularity of Chinese fast food options suggests further untapped potential for selling Chinese-styled food products with imported ingredients. Young adults in Shanghai often regard such goods as superior in nutrition and sanitation to domestic items.
- Success of RTD tea products among Shanghai youth suggest a growing potential for health drinks and RTE food products.
- Products directed at young couples as well as high-earning graduates should highlight their nutritional attributes whenever possible. Chinese concepts of health and nutrition present further opportunities for marketing U.S. ingredients. Packaging is important and should be designed accordingly.
- Specialty products can be directed at clients through online food retail websites, particularly those specializing in organic and imported produce.

Table 9: The Shanghai Youth Market

Opportunities	Challenges
Since many of them are single and still live with their parents, their incomes are largely discretionary and constantly increasing	Some of them are still students, and have not yet reached their full income potential, incomes are generally lower than people in their 40s or 50s
Young professionals with highly disposable incomes represent a particularly lucrative segment for marketers	Brought up in an age of prosperity and often by doting parents, they are demanding consumers, with high expectations of themselves and others
Their passion for communicating via the Internet or cell phones presents many opportunities for multi-level marketing	Manufacturers must remain innovative, constantly reinventing brands and marketing strategies to adapt to the changing needs of this consumer group
They are not afraid of buying on credit and do not allow debt to prevent them from spending lavishly	Their need for speed makes this generation impatient – if a dish is not ready in 15 minutes, many will cancel the order
A desire to try new products and demand for quality food creates opportunities for imported products.	This generation is mistrustful or contemptuous of traditional advertising methods, such as TV/radio advertisements and print media.

Contact Information and Useful Websites

Agricultural Trade Office, Shanghai
 Shanghai Center, Suite 331
 1376 West Nanjing Road
 Shanghai 200040, China
 Phone: 86-21-6279-8622
 Fax: 86-21-6279-8336
 E-mail: ATOShanghai@fas.usda.gov
 Website: www.USDAChina.org